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INFO RUEHZK/ECOWAS COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 0428
RUZEJAA/JAC MOLESWORTH AFB UK
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHINGTON DC
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C O N F I D E N T I A L LAGOS 000271

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DOE FOR GPERSON, CHAYLOCK
USAFRICOM FOR CGAY

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TAGS: EPET ENRG PREL NI

SUBJECT: NIGERIA: CHINESE OIL FIRM BUYS ADDAX PETROLEUM

Classified By: Consul General Donna Blair for Reasons 1.4 (B,D)

¶11. (SBU) Chinese oil company Sinopec has agreed to purchase Addax Petroleum for \$7.2 billion. The deal was announced on June 24 after several weeks of press and industry speculation that Addax was seeking a buyer. Contacts at the Nigerian National Petroleum Corporation confirmed that Sinopec and the Korean National Oil Company had both made offers to purchase the Swiss petroleum company. An executive with a major US oil company told Abuja Econcouns that Sinopec paid a significant premium in terms of dollars per barrel of reserves for Addax. The acquisition is expected to take several months to complete.

¶12. (C) Addax is the largest of the second tier oil companies operating locally and a well-known name in Nigerian oil and gas. Its new Lagos headquarters building is a prominent landmark located across the street from the ExxonMobil headquarters. Although based in Switzerland, Addax is listed on the Toronto Stock Exchange. It has operations or interests in Nigeria, Gabon, the Kurdish region of Iraq, and the Nigeria-Sao Tome Joint Development Zone. As of December 31, 2008 the company had 324 million barrels of proven and probable (2P) oil reserves in Nigeria, more than half of the company's total 2P reserves worldwide. In Nigeria, most of its oil fields and oil blocks are near offshore of Rivers and Akwa Ibom states. It has one small onshore field producing oil in Imo State and is exploring in a deep offshore oil block 80 miles off the Nigerian coast. In the past six months, the company has suffered from a series of pirate attacks on boats servicing its oil platforms off of Rivers and Akwa Ibom states. Department of Petroleum Resources statistics show the company produces around 100,000 barrels of oil per day from its Nigerian operations. Addax has a reputation in the local industry for less than transparent business practices. A Canadian Poloff recently remarked to Energyoff that Addax executives went out of their way to avoid interaction with the Canadian High Commission. He surmised this was because company executives did not want too much attention focused on its activities in Nigeria.

¶13. (C) Comment: This is an bold move into the Nigerian oil and gas market by Sinopec. Previous Chinese activity in Nigerian exploration and production ventures took the form of minority investments in fields or oil blocks operated by other companies. The acquisition of Addax means that for the

first time (that we are aware of) a Chinese company will actually operate oil fields in Nigeria. It could be an excellent platform for further acquisitions in Nigeria by Sinopec. Additionally, the Addax fields will give the Chinese company much needed experience in dealing with the myriad of security, community, and regulatory issues that operators face without forcing it to work right away in the troubled swamp fields of Rivers, Delta, and Bayelsa states.

End Comment.

BLAIR